

# 2013 Summary Report to Members

*for the fiscal year ended June 30, 2013*



Retirement *security,*  
*today, tomorrow,*  
*together.*



**PSRS/PEERS**

PUBLIC SCHOOL & EDUCATION EMPLOYEE  
RETIREMENT SYSTEMS OF MISSOURI

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This Summary Report to Members is dedicated to all past, present and future members of the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS).

PSRS/PEERS members have proven to be a unique and fascinating group of individuals from all walks of life, with diverse backgrounds, interests and talents and skills. But they are connected by the contributions they have made to their communities through service in Missouri's public education system.

They share a dedication to hard work, a desire to help others. They make it their daily work to be there for the young people of our state, to help them learn, grow and experience life to the fullest. Past, present and future, the many achievements of PSRS/PEERS members, big and small, build character, sharpen minds and improve lives.

We say thank you, to each and every one, currently working, enjoying retirement, or just starting out. We are proud to serve you, and provide you with the strong, stable and secure retirement benefits you earn through years of hard work. After being there for our children, know we will be there for you, providing retirement security – **today, tomorrow, together.**



## INTRODUCTION

**Retirement Security – today, tomorrow, *together*.** For the past 67 years, the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) have worked in partnership with Missouri public schools to provide retirement benefits to our members. We do so through the quality of PSRS/PEERS' plan design, professional plan management, strong investment performance and outstanding commitment to the almost 230,000 members we serve.

## A SNAPSHOT OF PSRS/PEERS MEMBERS

While the average age and years of service among our working members have remained fairly constant over the past five years, average annual salaries have increased somewhat, and total PSRS and PEERS membership continues to grow. As our membership grows, we remain dedicated to maintaining our financial strength and providing the highest level of service and retirement security to all of our members, now and in the future.

PSRS Active Member Profile					
	2013	2012	2011	2010	2009
Average Age	42.1	42.2	42.3	42.3	42.2
Average Years of Service	11.4	11.4	11.5	11.3	11.1
Average Annual Salary	\$57,135	\$56,483	\$55,837	\$56,701	\$55,957

PEERS Active Member Profile					
	2013	2012	2011	2010	2009
Average Age	48.1	48.1	47.9	47.5	47.1
Average Years of Service	8.5	8.4	8.3	8.0	7.7
Average Annual Salary	\$30,196	\$29,571	\$28,984	\$28,467	\$27,667

PSRS Total Membership					
	2013	2012	2011	2010	2009
Active	78,076	77,529	77,708	79,256	79,335
Inactive	11,649	11,523	11,580	11,159	11,570
Retired	47,646	45,895	43,779	41,464	39,897
Disabled	843	803	763	721	696
Survivors	3,817	3,646	3,523	3,282	3,153
Total Membership	142,031	139,396	137,353	135,882	134,651

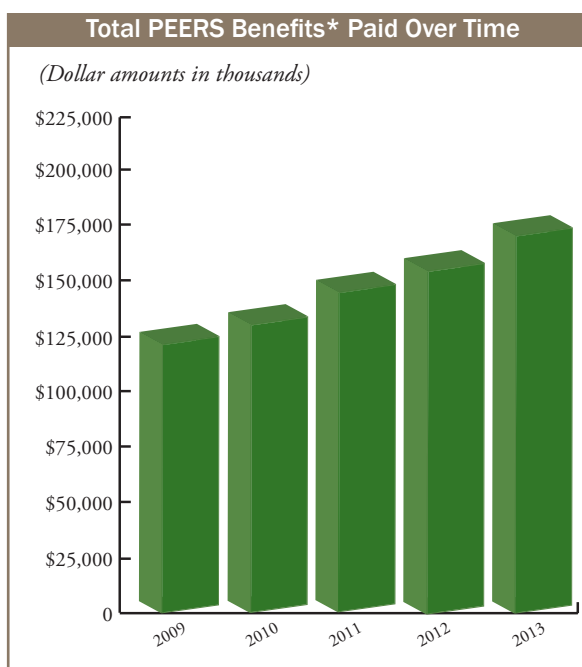
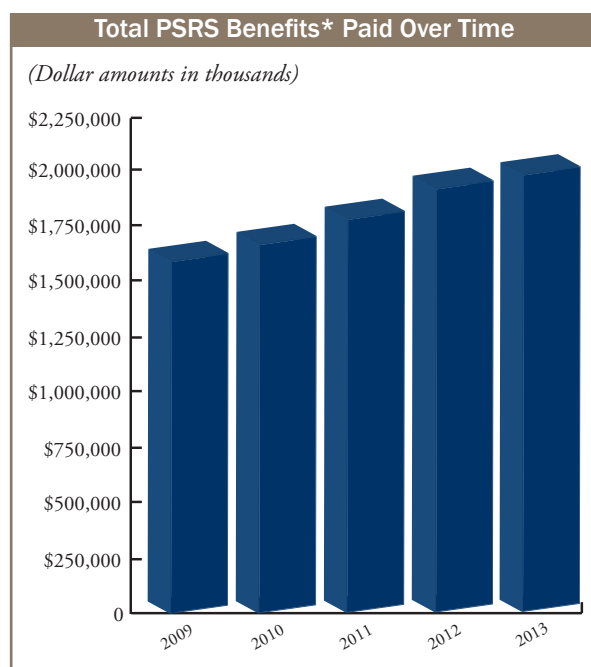
PEERS Total Membership					
	2013	2012	2011	2010	2009
Active	48,709	48,605	48,800	50,363	50,978
Inactive	14,439	14,552	15,402	15,355	16,538
Retired	21,519	20,537	19,444	18,274	17,461
Disabled	709	668	620	575	540
Survivors	1,446	1,357	1,264	1,222	1,150
Total Membership	86,822	85,719	85,530	85,789	86,667

## RETIREMENT TRENDS

The total number of PSRS/PEERS retirees and amount of benefits paid each year continue to grow. In fiscal year 2013 (July 1, 2012 to June 30, 2013) we helped 4,298 individuals begin their retirement by providing them with PSRS/PEERS benefits.

PSRS Members Retiring By Year					
	2013	2012	2011	2010	2009
Number of Retirements	2,642	2,926	3,122	2,379	2,629
Average Age	58.9	58.7	58.6	58.6	58.0
Average Years of Service	23.2	23.7	23.8	23.3	25.1
Average Single Life Monthly Benefit	\$3,370	\$3,334	\$3,342	\$3,197	\$3,424

PEERS Members Retiring By Year					
	2013	2012	2011	2010	2009
Number of Retirements	1,656	1,714	1,656	1,400	1,325
Average Age	63.0	63.0	62.9	62.7	62.9
Average Years of Service	16.3	16.3	16.6	15.2	16.5
Average Single Life Monthly Benefit	\$763	\$748	\$752	\$630	\$694



\*Annual benefits paid to service retirees, disability retirees, and survivors. Includes PLSO Payments.



## ABOUT OUR RETIREES

We take great pride in the long-term strength and stability of the Systems. We believe our retired members, after a full career of service to our schools, students and communities, are deserving of the peace of mind that comes with knowing they will receive lifetime retirement benefits.

Most PSRS/PEERS benefit recipients are service retirees. Lifetime service retirement benefits are payable to members who have met age and service requirements. Disability benefits are provided for members who are unable to earn a livelihood due to permanent disability and who have met eligibility criteria. The Systems also provide death benefits to qualified beneficiaries of deceased members.

### PSRS 2012-2013 School Year Retirees

Years of Service at Retirement	Number of Retirees	Average Years of Service	Average Monthly Single Life Benefit*	Average Age at Retirement
5 - 9.9	233	6.8	\$ 695	62.4
10 - 14.9	263	12.1	\$ 1,327	62.1
15 - 19.9	286	17.3	\$ 2,035	61.9
20 - 24.9	483	22.4	\$ 3,143	60.4
25 - 29.9	692	27.0	\$ 3,927	56.0
30 - 34.9	593	31.6	\$ 4,998	56.4
35 - 39.9	79	36.7	\$ 6,739	60.4
40+	13	41.1	\$ 6,033	64.2
Overall Average		23.2	\$ 3,370	58.9

### PEERS 2012-2013 School Year Retirees

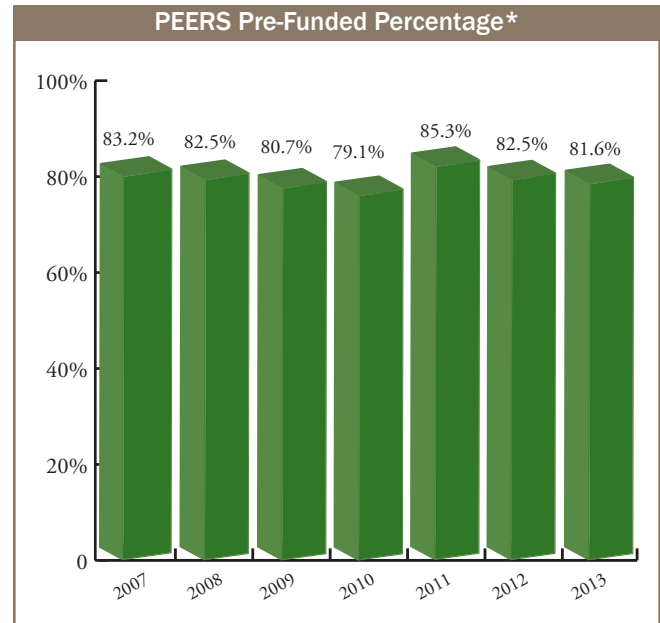
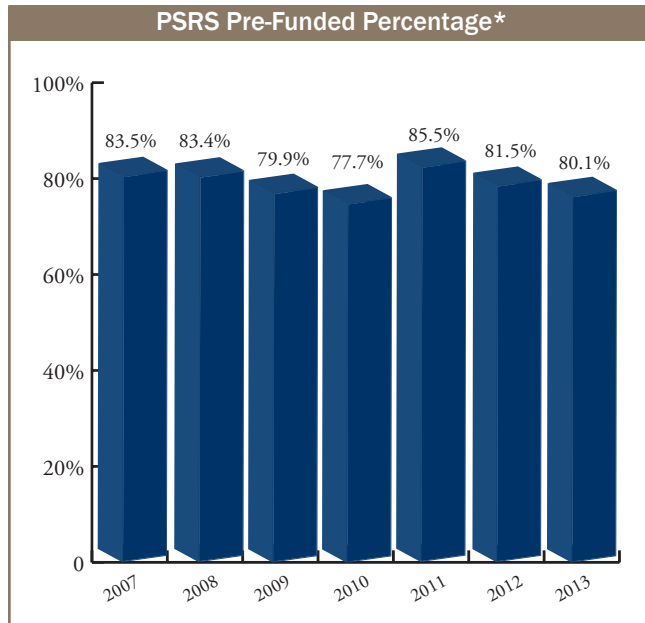
Years of Service at Retirement	Number of Retirees	Average Years of Service	Average Monthly Single Life Benefit*	Average Age at Retirement
5 - 9.9	475	7.0	\$ 219	63.8
10 - 14.9	362	12.2	\$ 467	63.8
15 - 19.9	250	17.1	\$ 735	63.7
20 - 24.9	275	22.4	\$ 1,104	62.0
25 - 29.9	173	26.9	\$ 1,512	59.7
30 - 34.9	89	32.0	\$ 1,929	60.7
35 - 39.9	24	36.9	\$ 1,915	67.0
40+	8	43.2	\$ 2,935	69.6
Overall Average		16.3	\$ 763	63.0

*\*The Single Life Plan pays the largest lifetime monthly retiree benefit. Actual amounts paid are lower due to benefit plan chosen by retiree.*

The average 2012-2013 Single Life monthly benefit for new PSRS retirees is \$3,370 and for PEERS retirees is \$763. How much will your benefit be? Use our online Benefit Estimate Calculator at [www.psrs-peers.org](http://www.psrs-peers.org) to estimate your own monthly retirement benefit amount.

## HOW PSRS/PEERS IS FUNDED

How do we determine how well funded the Systems are? By comparing the value of assets to the amount of benefit promises made to members. This comparison shows the pre-funded status of the Systems, or in other words, the plan's ability to pay projected benefits with today's dollars. As of June 30, 2013, PSRS was 80.1% pre-funded, and PEERS was 81.6% pre-funded. The Systems' pre-funded levels are an indication of our strength as one of the leading retirement systems in the United States.



\*Actuarial value of assets as a percentage of actuarial accrued liabilities

### Funding Sources

The investment portfolios of PSRS and PEERS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities. In total, approximately 61¢ of every dollar used to pay retirees is generated from investment earnings.

#### 20-Year Average



Note: The 20¢ includes member contributions and service purchases.

## THE IMPORTANCE OF DIVERSIFICATION

The Systems' portfolio is prudently invested across a broad array of assets that reflects the long-term nature of the PSRS/PEERS pension obligations.

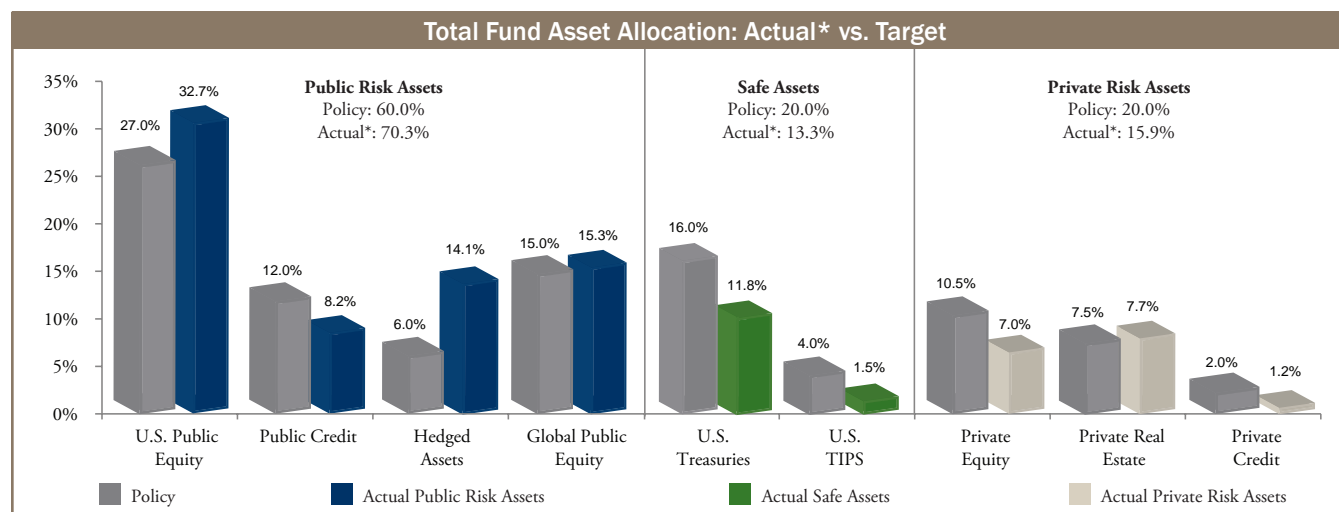
The asset allocation decision is generally regarded as the most important decision in the investment management process, since it is crucial to achieving long-term objectives established by the Board of Trustees. Within that asset allocation, it has always been important to not only consider the expected investment return, but also to understand the risks. The importance of risk consideration for institutional investors is critical to long-term success.

PSRS/PEERS employs an effective and intuitive risk-based approach to setting and reporting the asset allocation. The Systems developed a risk-based asset allocation to clearly define the prudent risks taken within its investment portfolios. The Systems consider a variety of risks including but not limited to liquidity risk, volatility, tail risk (the possibility that an investment will move much more than expected) and the ability to meet the Systems' assumed rate of return when structuring the portfolio.

The Systems' asset allocation includes Public Risk Assets, Safe Assets and Private Risk Assets. Within each risk allocation, the Systems' investment portfolio includes strategic, long-term commitments to specific asset programs. Public Risk Assets include U.S. Public Equity, Global Public Equity, Public Credit and Hedged Assets. Safe Assets include U.S. Treasuries and U.S. TIPS. Private Risk Assets include Private Real Estate, Private Equity and Private Credit Assets.

The Systems' internal investment staff continuously monitor the asset allocation and risk and return characteristics of the portfolio. The Systems' long-term asset allocation is reviewed regularly in conjunction with plan liabilities.

The Systems' asset allocation as of June 30, 2013, was as follows:



\*Actual assets include 0.5% invested in cash and cash equivalents that is not reflected in the chart above.

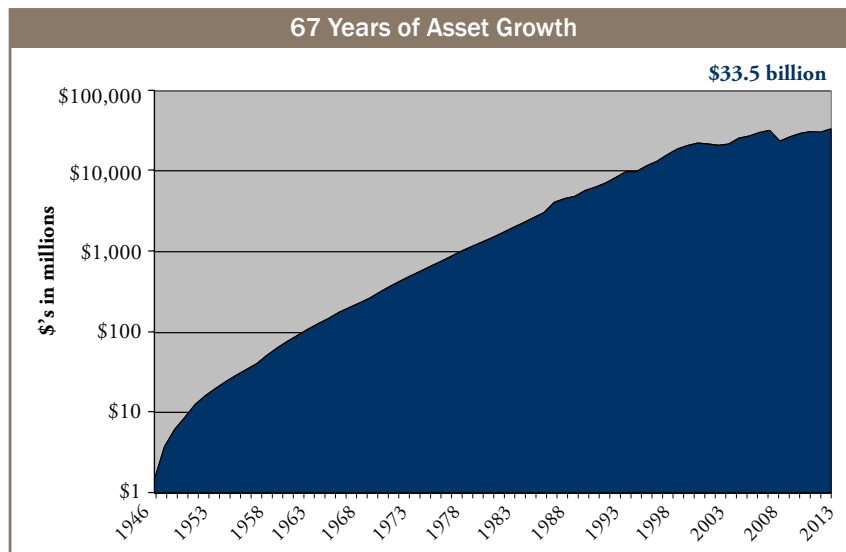


## INVESTMENT PERFORMANCE

The objective of the internal investment staff is to produce consistent and stable investment returns over long periods of time that exceed the actuarial assumed rate of return of 8%. We have been successful in achieving that goal over the last 25 years because PSRS/PEERS has an experienced investment staff and a strong, flexible investment policy and process that allow our investment staff to respond quickly to market changes.

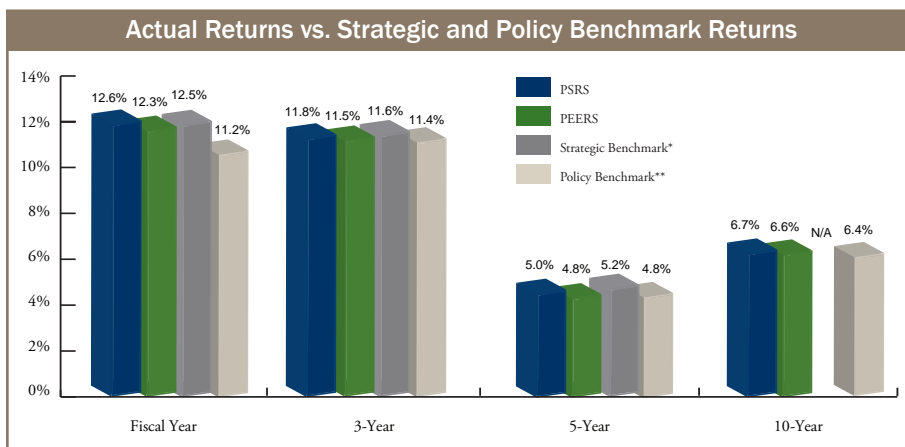
The market value of PSRS/PEERS' invested assets was \$33.5 billion on June 30, 2013, making the combined entity larger than all other public retirement plans in Missouri combined, and the 44<sup>th</sup> largest defined benefit plan in the United States. There has been consistent and long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965.

### Growth in Assets



### Total Portfolio Returns

The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 5.5% per year. The PSRS and PEERS total investment returns for the current fiscal year are 12.6% and 12.3%, respectively. These returns resulted in an increase in total net assets of approximately \$2.9 billion over the previous year, largely due to strong gains in developed equity markets. The returns exceeded both the Systems' policy benchmark of 11.2%, and the 8.0% actuarially assumed rate of return. Additionally, the strong returns were achieved while once again taking less investment risk than a large majority of other public pension funds in the nation.



\*As of June 30, 2013: 45.9% Russell 3000 Index, 17.0% MSCI All Country World ex-U.S. Free Index, 15.5% Barclays Capital Credit Intermediate Index, 11.4% Barclays Capital Treasury Blend, 7.5% NCREIF Property Index, 1.5% Barclays Capital U.S. TIPS 1-10 Year Index, and 1.2% Bank of America Merrill Lynch High Yield Master II Index. Strategic Benchmark data is not available for periods dating back 10 years or more.

\*\*As of June 30, 2013: 39.0% Russell 3000 Index, 16% Barclays Capital Treasury Blend, 16.5% MSCI All Country World ex-U.S. Free Index, 15% Barclays Capital Intermediate Credit Index, 7.5% NCREIF Property Index, 4% Barclays Capital U.S. TIPS 1-10 Year Index, and 2% Bank of America Merrill Lynch High Yield Master II Index.

## PSRS AND PEERS TOP 10 STOCK HOLDINGS AND THEIR MARKET VALUES

PSRS/PEERS' has constructed a well-diversified asset mix for the Systems. Because of that diversification, even our largest holding of any one stock represents only a small percentage of the total portfolio.

PSRS	
Top 10 Largest Holdings* June 30, 2013	Market Value
Exxon Mobil Corp.	\$ 73,237,620
Chevron Corp.	52,508,168
Johnson & Johnson	52,463,894
Edison International	48,877,440
Amgen Inc.	47,930,311
JPMorgan Chase & Co.	45,253,224
Wal-Mart Stores Inc.	42,920,095
Wells Fargo & Co.	41,937,336
Amerisourcebergen Corp.	40,202,904
Pfizer Inc.	38,792,478
<b>TOTAL</b>	<b>\$484,123,470</b>

PEERS	
Top 10 Largest Holdings* June 30, 2013	Market Value
Exxon Mobil Corp.	\$ 6,801,548
Johnson & Johnson	5,306,148
Edison International	4,960,576
Amgen Inc.	4,909,716
Chevron Corp.	4,824,248
Wal-Mart Stores Inc.	4,436,997
JPMorgan Chase & Co.	4,320,598
Kimberly-Clark Corp.	4,267,069
Amerisourcebergen Corp.	4,105,292
Wells Fargo & Co.	3,841,247
<b>TOTAL</b>	<b>\$ 47,773,439</b>

\*Additional investment portfolio information is included in the 2013 Comprehensive Annual Financial Report.

## FINANCIAL STATEMENTS

The Statements of Plan Net Position present information on the assets and liabilities of the Systems, with the difference between the two reported as net position. The net position of the Systems reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net position measure whether the Systems' financial position is improving or deteriorating.

Statements of Plan Net Position				
<i>(As of June 30, 2013 with comparative totals for June 30, 2012)</i>				
	PSRS	PEERS	Combined Totals	
			June 30, 2013	June 30, 2012
<b>ASSETS</b>				
Cash	\$ 169,902,337	\$ 28,166,834	\$ 198,069,171	\$ 104,034,923
Receivables	1,254,326,060	113,221,906	1,367,547,966	2,047,598,539
Investments, at fair value	33,276,726,644	3,629,063,527	36,905,790,171	33,657,186,601
Invested securities lending collateral	433,989,546	48,977,204	482,966,750	572,562,122
Prepaid expenses	144,842	-	144,842	125,353
Capital assets, net of accumulated depreciation	21,267,894	-	21,267,894	17,391,271
<b>TOTAL ASSETS</b>	<b>35,156,357,323</b>	<b>3,819,429,471</b>	<b>38,975,786,794</b>	<b>36,398,898,809</b>
<b>LIABILITIES</b>	<b>4,780,940,530</b>	<b>502,916,675</b>	<b>5,283,857,205</b>	<b>5,617,569,211</b>
<b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	<b>\$ 30,375,416,793</b>	<b>\$ 3,316,512,796</b>	<b>\$ 33,691,929,589</b>	<b>\$ 30,781,329,598</b>

The Statements of Changes in Plan Net Position show the incoming revenue (additions) and outgoing expenses (deductions) of the Systems throughout the fiscal year.

Statements of Changes in Plan Net Position				
<i>(For the year ended June 30, 2013 with comparative totals for the year ended June 30, 2012)</i>				
	PSRS	PEERS	Combined Totals Year Ended	
			June 30, 2013	June 30, 2012
<b>ADDITIONS</b>				
Employer contributions	\$ 634,040,335	\$ 97,059,313	\$ 731,099,648	\$ 715,309,016
Member contributions	665,925,539	103,270,505	769,196,044	760,866,455
Net investment income	3,378,531,064	353,729,043	3,732,260,107	489,595,304
Other income	20,305	-	20,305	7,711
<b>TOTAL ADDITIONS</b>	<b>4,678,517,243</b>	<b>554,058,861</b>	<b>5,232,576,104</b>	<b>1,965,778,486</b>
<b>DEDUCTIONS</b>				
Monthly benefits	2,055,763,858	178,663,339	2,234,427,197	2,117,176,610
Refunds of contributions	55,394,344	18,636,409	74,030,753	72,925,581
Administrative expenses	8,712,314	4,801,080	13,513,394	13,291,496
Other expenses	2,495	2,274	4,769	315
<b>TOTAL DEDUCTIONS</b>	<b>2,119,873,011</b>	<b>202,103,102</b>	<b>2,321,976,113</b>	<b>2,203,394,002</b>
<b>NET INCREASE (DECREASE)</b>	<b>2,558,644,232</b>	<b>351,955,759</b>	<b>2,910,599,991</b>	<b>(237,615,516)</b>
<b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>				
Beginning of year	27,816,772,561	2,964,557,037	30,781,329,598	31,018,945,114
End of year	\$ 30,375,416,793	\$ 3,316,512,796	\$ 33,691,929,589	\$ 30,781,329,598

## SUMMARY/CONCLUSION

We are proud to look back on another successful year. In fiscal year 2012-2013, we provided strong, stable and secure retirement benefits to 75,980 retirees and beneficiaries, and the highest quality member service to 126,785 actively working Missouri public school educators and education employees. During the year, we helped 4,298 members begin their retirement, and provided retirement counseling, education and assistance to thousands more.

It is our ongoing mission to continue to partner with the public school districts of this state to help each of our members achieve a financially secure retirement – **today, tomorrow, together.**

*The men and women pictured in this report are members of PSRS/PEERS. The PSRS/PEERS Board of Trustees, management and staff would like to extend our thanks to each of these extraordinary individuals for allowing us to include their photographs.*





**2013 Summary Report to Members**  
for the fiscal year ended June 30, 2013

PSRS/PEERS is pleased to present the **2013 Summary Report to Members** for the fiscal year ended June 30, 2013. This report highlights information from our most recent **Comprehensive Annual Financial Report**. Printed copies of the comprehensive report are available upon request, or may be viewed online at [www.psrs-peers.org](http://www.psrs-peers.org).

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